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CANADIAN TIRE CORPORATION LIMITED



forty-fourth **ANNUAL REPORT 1970**

BOARD OF DIRECTORS:

A. E. BARRON, *Chairman of the Board*,
Canadian Tire Corporation, Limited
President, Canadian General Investments, Limited

A. D. BILLES, *President*, Bilco Tire Limited,
Toronto, Canada—A Canadian Tire Associate Store
Owner

A. J. BILLES, *Past-President*,
Canadian Tire Corporation, Limited, Toronto, Canada

A. W. BILLES, *President*, 839 Yonge Street
Main Store Limited, Toronto, Canada
—A Canadian Tire Associate Store Owner

D. G. BILLES, *President*, Performance Engineering
Limited, Thornhill, Ontario

R. J. HOBBS, *Vice President*,
Canadian Tire Corporation, Limited,
Toronto, Canada

R. LAW, O.C., *Secretary*, Canadian Tire Corporation,
Limited, Toronto, Canada
Partner, Blackwell, Law, Treadgold & Armstrong,
Barristers and Solicitors

J. D. MUNCASTER, *President and Chief Executive
Officer*, Canadian Tire Corporation, Limited,
Toronto, Canada

A. L. SHERRING, C.A., *Executive*,
National Trust Company, Limited, Toronto, Canada

L. A. WARREN, *President*, L. A. Warren Limited,
North Bay, Ontario—A Canadian Tire Associate
Store Owner

OFFICERS:

A. E. BARRON, *Chairman of the Board*

J. D. MUNCASTER, *President*

R. J. HOBBS, *Vice President*

W. R. DAWSON, *Vice President, Marketing*

J. W. KRON, *Vice President, Distribution*

R. LAW, *Secretary*

F. Y. SASAKI, *Treasurer*

REGISTRARS & TRANSFER AGENTS:

National Trust Company, Limited
Toronto, Montreal and Calgary

SOLICITORS:

Blackwell, Law, Treadgold & Armstrong

BANKERS:

Canadian Imperial Bank of Commerce
Chicago City Bank and Trust Company

AUDITORS:

Deloitte, Haskins & Sells, *Chartered Accountants*

HEAD OFFICE:

837 Yonge Street, Toronto
Class A and Common shares listed on the
Toronto and Montreal Stock Exchanges.



Prototype 'C' design for stores built in two prime market areas in 1970—*Sheppard & McCowan (Toronto)* and *Fredericton, N.B.* Similar, but smaller 'B' type, store opened in Orillia, Ontario during the year.

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highlights

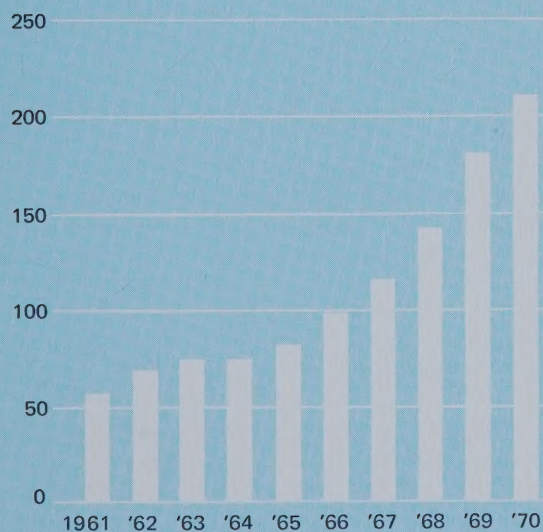


	1970	1969	Per cent Annual Change
Gross operating revenue . . .	\$210,529,912	\$179,307,784	+17.4
Net income	\$ 10,448,042	\$ 7,852,366	+33.1
Per share*†	98 cents	76 cents	+28.9
Cash flow	\$ 12,364,064	\$ 9,569,764	+29.2
Per share*†	\$ 1.16	93 cents	+24.7
Dividends paid	\$ 1,928,348	\$ 1,169,855	+64.8
Per share†	18 cents	11 cents	+63.6
Shareholders' equity	\$ 71,488,948	\$ 53,144,289	+34.5
Per share*†	\$ 6.72	\$ 5.15	+30.5
Working capital	\$ 13,398,069	\$ 9,809,439	+36.6
Capital expenditures	\$ 12,551,351	\$ 10,048,756	+24.9
Number of stores at year-end .	254	245 ¹	+3.7
Number of shareholders	6,270	4,968	+26.2

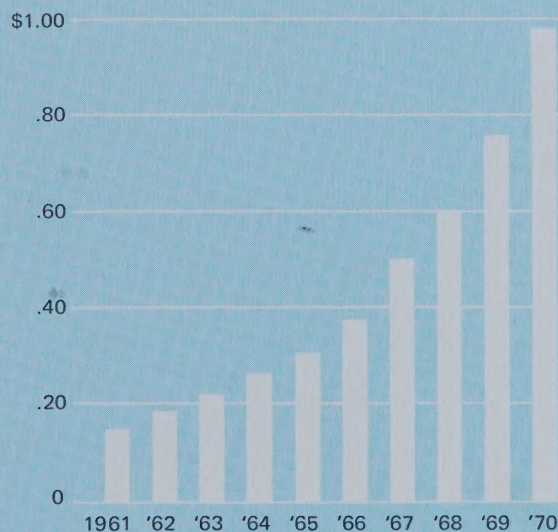
*Combined Class A and common—based on weighted average number of shares outstanding during the year.

†Adjusted for 3-for-1 split of May 13, 1970.

GROSS OPERATING REVENUE (in millions of dollars)



NET INCOME PER SHARE



98.8% of our 6,270 shareholders reside in Canada and own 99.7% of the total shares.



J. D. MUNCASTER, *President and Chief Executive Officer*

directors' report to the

For 1970, net income after taxes was \$10,448,000 or \$0.98 per share, compared with \$7,852,000 or \$0.76 per share for 1969—an increase of 33.1% in net income after taxes, and an increase of 28.9% in earnings per share. Included in income for both years is the Company's equity in the earnings of Canadian Tire Acceptance Limited—a wholly-owned subsidiary. Net income after taxes of the Acceptance company was \$196,000 in 1970 and \$109,000 in 1969. Also included in net income for both years was an extraordinary gain on the sale of land, amounting to \$390,000 in 1970 (3 cents per share) and \$119,000 in 1969 (1 cent per share).

Gross operating revenue was \$210,530,000 during 1970, an increase of 17.4% over the previous year. In our interim report covering the first half of 1970, reference was made to two factors limiting the increase in gross operating revenue. Firstly, high interest costs and tight credit conditions caused our dealers to restrict their increase in purchases from Canadian Tire to less than their increase in sales. In the second half, improvement in these factors resulted in our dealers increasing their purchases from Canadian Tire moderately more than their increase in sales to the public.

Secondly, intense price competition continued throughout the year on the fringes of many of our gasoline marketing areas, resulting in less than anticipated increases in gasoline gallonage over 1969. Despite this condition, profit margins in the gasoline division were again improved.

Operating expenses again declined as a percentage of revenue, reaching the lowest level of the past decade. This factor, combined with improved rental returns on our investment in retail stores and higher gasoline earnings, has resulted in a substantial improvement in profits as a per-

centage of revenue.

During 1970, to supplement the funds provided from operations, the Company sold through investment dealers by private placement to insurance companies, to trust companies, etc., 396,000 Class A shares for cash in the amount of \$8,534,000. In addition, 57,279 Class A shares were issued to, or for the benefit of, employees of the Company and of dealers for cash in the amount of \$1,291,000. Funds were applied during the year for the payment of dividends of \$1,928,000; additions to fixed assets of \$12,551,000, and increased loans to dealers in the form of income debentures of \$4,459,000, thus yielding an increase in working capital of \$3,589,000 to a new high of \$13,398,000.

The 1970 capital expenditure programme of some \$12.5 million provided for the purchase or construction of 12 new stores, major additions to nine others and the completion of eight additional gasoline outlets. Substantial land purchases were made for future store locations and a 90-acre site was acquired for a proposed major distribution centre at a location 22 miles west of our existing Distribution Centre in Toronto. Additions were made to the highway transport fleet and substantial sums were invested in improvements to the total distribution system.

During 1970, twenty-one dealers ceased to be associated with the Company through retirement or death, including a number who had operated very large stores. With the conviction that an individual's outlook and capability is of greater importance to our longer range success than his initial capitalization, we have become increasingly involved in financing of the dealer organization. This involvement

shareholders



A. E. BARRON, *Chairman of the Board*

has been further augmented by the belief that each store should have an inventory that will properly serve the needs of its community. Therefore, these factors, combined with the tight credit conditions during most of 1970, have resulted in an increase of almost \$4.5 million in loans to dealers secured by income debentures.

Again, in the attempt to ensure adequate inventories in dealer stores, payment policies were altered this year with respect to merchandise shipped during December for sale early in 1971. Receivables at year end have been increased by \$3.5 million as a result of this change in policy.

Canadian Tire Acceptance Limited experienced a very successful year in 1970. Gross operating revenue increased by 36.3%. With operating-expense efficiencies more than offsetting higher interest costs and greater provision for credit losses, net income of \$196,000 was 79.9% higher than in the year previous.

Profit sharing awards for 1970 were continued on the same basis as in the previous year with payments increasing to almost \$1.2 million. The attitude of participation and involvement fostered by this profit sharing and share ownership philosophy remains one of the Company's most valuable assets. To our employees and to our Associates and their employees, we express our admiration and appreciation for the accomplishments of 1970—a year of great challenge.

As forecast in our Annual Report a year ago, 1970 was not a buoyant year for retailing in Canada. Spending restraint was concentrated, however, in the higher-value consumer durables with much less impact on sales of consumables and semi-durables. This factor combined with Canadian

Tire's appeal to the value-conscious shopper, particularly in a less buoyant economy, resulted in a sales increase for Canadian Tire dealers of 19.5% during 1970, compared to a 3.3% increase in Canadian retail sales as a whole.

In looking to 1971, all the tangible factors required for buoyant consumer spending are present. Savings levels are high, consumer credit is freely available, and personal incomes continue to increase. We look to these factors, together with the employment improvement associated with the arrival of spring weather, to stimulate an increase in consumer spending. We would expect this higher level of spending to continue throughout 1971.

In such an economic framework, we expect Canadian Tire's growth in revenue and earnings to continue.

On behalf of the Board,

Dated March 16, 1971.

A handwritten signature in dark ink, appearing to read "A. E. Barron".

Chairman of the Board

A handwritten signature in dark ink, appearing to read "D. Muncester".

President and Chief Executive Officer

Statement of Income and Retained Earnings

for the Year ended December 31, 1970 (with 1969 figures for comparison)

	1970	1969
GROSS OPERATING REVENUE	\$210,529,912	\$179,307,784
Deduct operating expenses:		
Cost of merchandise sold and all expenses except for the undernoted items	187,213,832	161,004,205
Depreciation and amortization	2,262,212	1,881,216
Employee deferred profit sharing and option plans	1,182,359	1,015,721
Interest on long-term debt	6,957	10,048
Total operating expenses	190,665,360	163,911,190
	19,864,552	15,396,594
INTEREST INCOME (Note 7)	886,949	719,069
Income before income taxes	20,751,501	16,115,663
Provision for income taxes	10,889,057	8,490,803
Income from operations	9,862,444	7,624,860
Equity in net income of subsidiary company (Note 2)	195,752	108,799
Income for the year before extraordinary gain	10,058,196	7,733,659
Gain on sale of land	389,846	118,707
NET INCOME FOR THE YEAR	10,448,042	7,852,366
RETAINED EARNINGS AT BEGINNING OF THE YEAR	39,998,221	33,365,994
	50,446,263	41,218,360
DEDUCT:		
Dividends paid:		
Class A shares	1,307,348	778,855
Common shares	621,000	391,000
Goodwill and organization expense written off by subsidiary company	—	50,284
	1,928,348	1,220,139
RETAINED EARNINGS AT END OF THE YEAR	\$ 48,517,915	\$ 39,998,221
Earnings per share before extraordinary gain	\$ 0.95	\$ 0.75
Earnings per share relating to gain on sale of land	0.03	0.01
EARNINGS PER SHARE (Note 10)	\$ 0.98	\$ 0.76

The accompanying notes, on pages 8 & 9, are an integral part of these financial statements.

Statement of Source and Application of Funds

for the Year ended December 31, 1970 (with 1969 figures for comparison)

FUNDS PROVIDED:	1970	1969
Income from operations	\$ 9,862,444	\$ 7,624,860
Depreciation and amortization	2,262,212	1,881,216
Increase in deferred income tax charge	(150,438)	(55,019)
Total funds provided from operations	11,974,218	9,451,057
Issue of Class A shares (Note 5)	9,824,965	890,363
Increase in long-term debt (Note 4)	240,618	—
Reduction in mortgages receivable	7,392	—
Decrease in special refundable tax	—	21,878
Disposal of property and equipment	480,318	387,091
Total funds provided	22,527,511	10,750,389
FUNDS APPLIED:		
Additions to property and equipment:		
Land	3,984,219	1,196,233
Buildings	7,073,775	7,467,746
Fixtures and equipment	947,346	667,596
Automotive equipment	384,393	368,592
Leasehold improvements	161,618	348,589
	12,551,351	10,048,756
Increase in long-term portion of income debentures	4,459,182	1,002,254
Increase in mortgages receivable	—	250,232
Reduction of long-term debt	—	87,095
Dividends paid:		
Class A shares	1,307,348	778,855
Common shares	621,000	391,000
Total funds applied	18,938,881	12,558,192
INCREASE (DECREASE) IN WORKING CAPITAL FOR THE YEAR	3,588,630	(1,807,803)
Working capital at beginning of the year	9,809,439	11,617,242
WORKING CAPITAL AT END OF THE YEAR	\$13,398,069	\$ 9,809,439

The accompanying notes, on pages 8 & 9, are an integral part of these financial statements.

Balance Sheet

ASSETS

	1970	1969
CURRENT ASSETS:		
Cash and bank deposit receipts	\$ 4,536,540	\$ 4,270,177
Accounts and loans receivable	14,312,640	8,661,807
Due from subsidiary company	13,530	18,967
Merchandise inventories (Note 1)	25,221,072	22,181,098
Income debentures of Canadian Tire dealers — amounts due within one year	843,320	683,362
TOTAL CURRENT ASSETS	44,927,102	35,815,411
INVESTMENTS:		
Shares of subsidiary company not consolidated (Note 2)	1,590,902	1,395,150
Income debentures of Canadian Tire dealers — less amounts due within one year — at cost	8,240,727	3,781,545
TOTAL INVESTMENTS	9,831,629	5,176,695
PROPERTY AND EQUIPMENT — at cost (Note 3):		
Land	14,034,032	10,098,624
Buildings	39,432,646	32,474,253
Fixtures and equipment	5,737,042	4,793,858
Automotive equipment	1,240,897	887,362
Leasehold improvements	705,495	543,670
	61,150,112	48,797,767
Less accumulated depreciation and amortization	13,486,954	11,333,276
NET PROPERTY AND EQUIPMENT	47,663,158	37,464,491
OTHER ASSETS:		
Mortgages receivable	306,577	313,969
Deferred income tax charge	530,133	379,695
TOTAL OTHER ASSETS	836,710	693,664
TOTAL	\$103,258,599	\$79,150,261

The accompanying notes, on pages 8 & 9, are an integral part of these financial statements.



as at December 31, 1970 (with 1969 figures for comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:	1970	1969
Accounts payable	\$ 13,356,142	\$10,602,288
Accrued liabilities and coupons outstanding	13,285,104	11,277,656
Income taxes payable	3,097,824	2,271,178
Notes payable	69,480	69,480
Loans payable to directors and shareholders	1,649,013	1,785,370
Long-term debt — amounts due within one year	71,470	—
TOTAL CURRENT LIABILITIES	<u>31,529,033</u>	<u>26,005,972</u>

LONG-TERM DEBT — less amounts due within one year (Note 4)	<u>240,618</u>	<u>—</u>
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SHAREHOLDERS' EQUITY:

Capital stock (Notes 5 and 6):

Authorized:

15,000,000 Class A non-voting shares without par value

3,450,300 common shares without par value

Issued and fully paid:

7,338,591 Class A shares (1969 — 6,885,312 shares) 22,078,845 12,253,880

3,450,000 common shares 892,188 892,188

22,971,033 13,146,068

Retained earnings 48,517,915 39,998,221

TOTAL SHAREHOLDERS' EQUITY 71,488,948 53,144,289

TOTAL \$103,258,599 \$79,150,261

Approved by the Board: A. E. Barron, Director; J. D. Muncaster, Director

notes to the financial statements

1 Inventories

Merchandise inventories have been valued at the lower of cost or estimated net realizable value less normal profit margin.

2 Investment in Wholly-Owned Subsidiary Company (Canadian Tire Acceptance Limited)

	1970	1969
Preference shares—at cost . . .	\$1,200,000	\$1,200,000
Common shares—at cost . . .	101,031	101,031
Equity in accumulated earnings . .	289,871	94,119
	<u>\$1,590,902</u>	<u>\$1,395,150</u>

The investment in the subsidiary company, Canadian Tire Acceptance Limited, is accounted for on the equity method. As a result, the company's equity in the net earnings of the subsidiary has been included in the statement of income and retained earnings.

The assets and liabilities and income and expenses of Canadian Tire Acceptance Limited have not been consolidated with those of Canadian Tire Corporation, Limited since the operations of the subsidiary are not comparable to the operations of the parent company.

3 Property and Equipment

It is the company's practice to provide for depreciation under the declining-balance method at various annual rates (buildings—5%, fixtures and equipment—20%, and automotive equipment—30%), and to provide for amortization of leasehold improvements on a straight-line basis over the terms of the respective leases.

As at December 31, 1970, the company has commitments for acquisition of properties amounting to \$4,013,000.

4 Long-Term Debt

Mortgages on property acquisitions:

6-1/2% mortgage, due in equal monthly instalments, including interest, to December 31, 1979 . . .	\$106,888
8-1/2% mortgages, due in annual instalments of \$68,400 each, plus interest, to March 19, 1973 . . .	205,200
	312,088
Less amounts due within one year	71,470
	<u>\$240,618</u>

5 Capital Stock

Issue of Class A Shares:

During 1970, prior to subdivision of the shares, the company issued 151,093 Class A non-voting shares for cash in the total amount of \$9,824,965. Of this total, 19,093 shares were issued to, or for the benefit of, the employees and officers of the company, the employees of the subsidiary, and the employees of authorized dealers. The remaining 132,000 shares were issued by private placement, pursuant to approval by special resolution of the holders of Class A shares on May 5, 1970.

Subdivision of Capital Stock:

By supplementary letters patent, dated May 14, 1970, the authorized share capital of the company was changed as follows:

- Each of the issued and unissued common shares without par value was subdivided into three common shares without par value.
- Each of the issued and unissued Class A shares without par value was subdivided into three Class A shares without par value.

Conditions of Class A Shares:

The conditions attached to the Class A shares prohibit the issue of Class A shares unless either:

- such shares are being issued to, or for the benefit of, employees of the company, or employees of any subsidiary, or authorized dealers, or the employees of authorized dealers, pursuant to a scheme or plan in existence at such time, or
- the authorization of the holders of Class A shares shall first have been obtained.

Share Options:

Under the share option arrangement (see Note 6), certain senior officers, engaged directly in the management of the company, have been granted options to purchase Class A non-voting shares of the company. The options are exercisable at any time during a ten-year period from the date granted, as follows:

Date Granted	Expiry Date	Price	Number of shares
February 28, 1970	February 28, 1980	\$20.287	17,259
February 28, 1971	February 28, 1981	\$24.975	25,695

6 Remuneration (Directors and Senior Officers)

The aggregate direct remuneration paid, or payable, by the company to the directors and senior officers of the company, as a group, during the fiscal year ended December 31, 1970, was \$257,068 (1969—\$221,500). In addition, with respect to the fiscal year ended December 31, 1970, pursuant to a share purchase arrangement and a share option arrangement authorized by resolution of the directors, the company:

- paid to certain senior officers, engaged directly in the management of the company, amounts calculated by reference to the earnings of the company for such fiscal year which, after provision for personal income tax, provided sums sufficient in the aggregate to pay the subscription price (\$198,468) of 7,152 Class A non-voting shares of the company, required by this arrangement to be subscribed for by such senior officers, at the market value thereof as at February 26, 1971, namely \$27.75 per share, and
- granted to certain senior officers, engaged directly in the management of the company, options to purchase 25,695 Class A non-voting shares of the company at a price of \$24.975 per share, being 90% of the market value thereof as at February 26, 1971, such options to be exercisable at any time up to February 28, 1981, at which time they expire.

It is presently proposed that the share purchase arrangement and share option arrangement will be continued in the future, and may be extended to certain other senior officers of the company from time to time, engaged or to be engaged, directly in the management of the company. Also with respect to the fiscal year ended December 31, 1970, the company paid to the Trustees of the Canadian Tire Deferred Profit Sharing Plan, for the benefit of senior officers,

amounts determined on the same basis as for other employees of the company.

7 Interest Income

Interest income is comprised of the following:

	1970	1969
Income debentures . . .	\$352,886	\$192,658
Short-term investments . . .	72,182	286,927
Other	461,881	239,484
	<u>\$886,949</u>	<u>\$719,069</u>

8 Guarantee

The company has guaranteed, unconditionally, the payment of promissory notes issued, or to be issued, by Canadian Tire Acceptance Limited. As at December 31, 1970, the total amount of such notes, outstanding and subject to guarantee, was \$4,200,000. The company has arranged bank standby credit to cover any obligation which may arise under its guarantee of authorized notes outstanding from time to time.

9 Leases

Under lease obligations for store locations, the company is committed to minimum annual rentals (exclusive of taxes, insurance and other company charges), as follows:

Termination Dates	Minimum Annual Rentals
1971	\$ 19,000
1973	133,895
1974	29,240
1977	12,000
1980	67,765
1982	147,433
1988	50,570 to 1973 and 60,570 thereafter
1990	22,950

10 Earnings Per Share

The earnings per share figures are calculated using the weighted average number of shares outstanding during 1969 and 1970, after giving retroactive effect to the subdivision of the common and Class A shares of the company on a three-for-one basis during 1970.

DELMITTE HASKINS & SELLS

Offices across Canada and associated firms throughout the world

Chartered Accountants

ALBANY, ALBERTA, CALGARY, EDMONTON, KITCHENER, LONDON, OTTAWA, REGINA, SASKATOON, TORONTO, VANCOUVER

To the Shareholders of
Canadian Tire Corporation Limited:

We have examined the balance sheet of Canadian Tire Corporation Limited as at December 31, 1970 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 8, 1971.

Auditors.

New stores opened in 1970...



The Winnipeg Centre store occupies a converted food market. Location was opened early in 1970.

ONTARIO

ARNPRIOR* — 104 Elgin Street W.
CHELMSFORD* — Highway No. 144
GALT* — Highland Shopping Centre
GODERICH* — 223 Huron Road
GRAVENHURST* — 135 Muskoka St. N.
INGERSOLL* — 98 Mutual Street
ORILLIA* — 135 West Street S.
PERTH* — Highway No. 7
STRATHROY* — Front Street E.
TORONTO* — Sheppard & McCowan
TORONTO — 2025 Kipling Avenue N.

MANITOBA

PORTAGE LA PRAIRIE —
112 Saskatchewan Avenue
WINNIPEG — 45 Isabel Street

QUEBEC

COWANSVILLE — 127 Main Street
LACHUTE* — 370 Bethany Road
MONTREAL NORTH —
boul. Henri Bourassa
VICTORIAVILLE — 104 St-Francois

NEW BRUNSWICK

FREDERICTON* — Prospect Street

NOVA SCOTIA

GREENWOOD — Greenwood Plaza

NEWFOUNDLAND

GANDER — Pine Tree Road

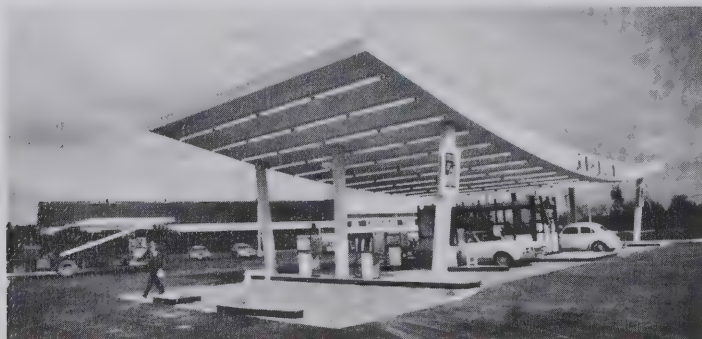
*Location change



On September 17, this 'C' type store and service centre replaced outgrown premises in Fredericton, N.B. (See page 9 for complete list of new stores opened by Canadian Tire in the 1970 calendar year.)



Petroleum marketing facilities are closely tied-in with stores in prime market areas, as shown at the new *Agincourt* location in suburban Toronto. In late 1970, our Petroleum Marketing Division re-identified gasoline and lubrication outlets with the name *Pit Stop*.



10-year

YEAR

INCOME STATISTICS

Gross operating revenue

Per cent annual change

Income before taxes

Per cent of gross operating revenue

Income taxes

Net income before extraordinary gain

Per cent annual change

Net income including extraordinary gain

Earnings per share before extraordinary gain*†

Earnings per share including extraordinary gain*†

Provision for depreciation

Cash flow

Per share*†

Dividends paid

BALANCE SHEET AND OTHER STATISTICS

Working capital

Capital expenditures

Fixed assets—net

Shareholders' equity

Per share*†

Per cent return on shareholders' equity

Number of shareholders — Class A

— Common

Number of Associate Stores

Number of gasoline stations

*Adjusted for 5 for 1 split of July, 12, 1966 and 3 for 1 split of May 13, 1970.

†Based on the weighted average number of shares outstanding during the year.

comparative summary



(Dollar amounts expressed in thousands—except per share earnings)

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
\$	210,530	179,308	142,826	114,757	97,426	81,233	72,066	73,319	67,228	56,637
	17.4	25.6	24.5	17.8	19.9	12.7	-1.7	9.1	18.7	5.4
\$	20,752	16,116	12,630	9,953	7,584	5,869	5,158	4,600	2,612	2,686
	9.9	9.0	8.8	8.7	7.8	7.2	7.2	6.3	3.9	4.7
\$	10,889	8,491	6,648	5,077	3,891	3,035	2,660	2,365	1,353	1,368
\$	10,058	7,734	6,008	4,923	3,655	2,834	2,498	2,235	1,259	1,318
	30.0	28.7	22.0	34.7	29.0	13.5	11.8	77.5	-4.5	-22.1
\$	10,448	7,852	6,008	4,926	3,681	2,891	2,514	2,238	1,707	1,329
\$.95	.75	.60	.50	.38	.29	.26	.23	.14	.15
\$.98	.76	.60	.50	.38	.30	.26	.23	.19	.15
\$	2,262	1,881	1,346	1,048	879	852	844	870	897	766
\$	12,364	9,570	7,350	5,906	4,622	3,602	3,389	3,146	2,809	1,612
\$	1.16	.93	.74	.59	.47	.37	.35	.33	.31	.18
\$	1,928	1,170	899	761	584	497	452	442	427	415
\$	13,398	9,809	11,617	6,878	5,896	7,580	6,365	5,252	3,317	3,172
\$	12,551	10,049	6,922	4,655	3,931	1,715	1,129	1,390	3,299	4,988
\$	47,663	37,464	29,565	23,989	20,440	17,387	16,523	16,238	15,719	13,317
\$	71,489	53,144	45,622	34,143	28,683	24,903	22,508	20,446	17,677	15,698
\$	6.72	5.15	4.57	3.44	2.95	2.57	2.33	2.13	1.93	1.76
	14.6	14.8	13.2	14.4	12.8	11.6	11.2	10.9	9.7	8.5
	5,223	4,021	3,274	2,229	1,814	1,644	1,665	1,798	1,677	NA
	1,047	947	865	782	715	662	724	806	952	NA
	254	245	234	226	225	224	225	222	204	201
	40	32	29	27	26	26	26	26	24	16

synopsis '70

Canadian Tire's
forty-fourth year
in review...



Additional distribution capacity, to handle the increasing flow of merchandise to a growing number of Associate Stores (254—up nine from the 1969 year-end total) was a primary concern of Canadian Tire management during the year 1970.

As announced by Mr. J. D. Muncaster, President, in the Interim Report for the six months ended June 30, 1970, the Company has acquired a 90-acre parcel of land in the Township of Mississauga for the construction of a second major distribution centre.

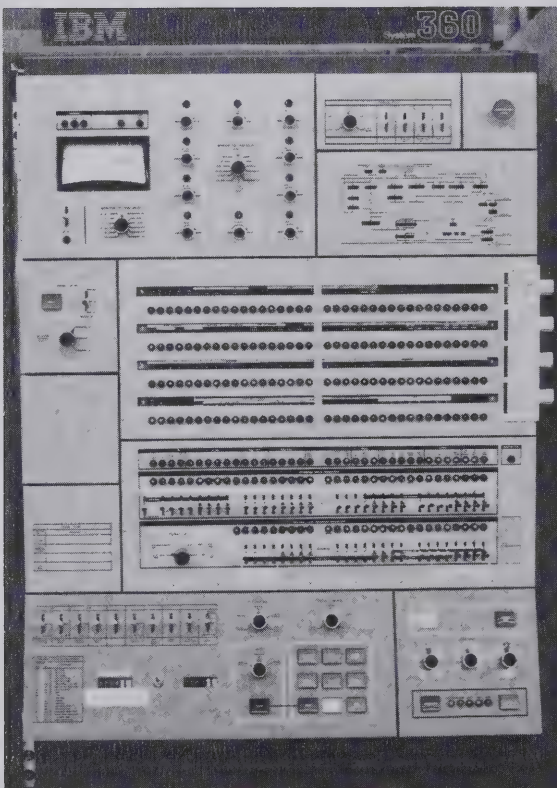
Until these new facilities become available, and in order to handle our growing volume of merchandise, a supplementary Distribution Centre (shown above) was leased on a short-term basis in October, 1970, and was in full operation by January, 1971. Located at 40 Shaft Road in the western outskirts of Toronto, the 140,000 square feet of floor area will be used exclusively to store and distribute promotional merchandise for the Company's major sales events. This will relieve the main Distribution Centre of handling any bulky or promotional merchandise, enabling the staff to concentrate on supplying Associate Stores with regular stock items on a shorter and consistent lead-time.

Our Associate Stores will now receive their promotional merchandise in separate, clearly-identified shipments for simplified handling in both the stockroom and on the sales floor. As these "sale items" will now be scheduled into the store closer to actual sales dates, the need for warehousing space at the retail level will be reduced.

The 230,000 square foot addition to our Sheppard Avenue Distribution Centre—completed in January, 1970—incorporates many improvements in material-handling techniques. A Towveyor System, operating between the two levels of the building by means of a ramp, improved efficiency by providing the flexibility of a one-level warehouse. New techniques, involving drive-through pallet racking, improved the cubic utilization of the addition. These changes will result in overall improvements in operating efficiency which will be reflected in operating costs.

The leasing or building of new warehouses, adding work shifts or increasing the size of a truck fleet, only partly solve the problems of co-ordinating a distribution complex with the logistical variables inherent in rapid sales growth, such as we have experienced in Canadian Tire. By constantly striving to maximize our efficiency and "through-put", we believe we have developed one of the most progressive distribution systems in the industry.

Innovations in storage techniques, equipment methods and specialized technology are evaluated and incorporated into existing systems as—and when—the cost/savings warrant the expenditures.



IBM 360-50 computer, installed by Home Office Management Information Systems for corporate-wide use, is capable of running six unrelated jobs concurrently. The new computer replaces two smaller models which handled only one job at a time. With its larger storage capacity, improved decision-making potential and greater printing speed, the 360-50 system will increase our capacity for new computer applications and handle a larger volume of present applications.



In late 1970 Canadian Tire completed negotiations for the purchase of the former Austin Building, immediately adjacent to our Head Office and Yonge Street Store, taking occupancy at the beginning of the 1971 year. Part of the two-storey building will be converted for use by Home Office departments, while existing tenants will continue to occupy the remaining floor space.

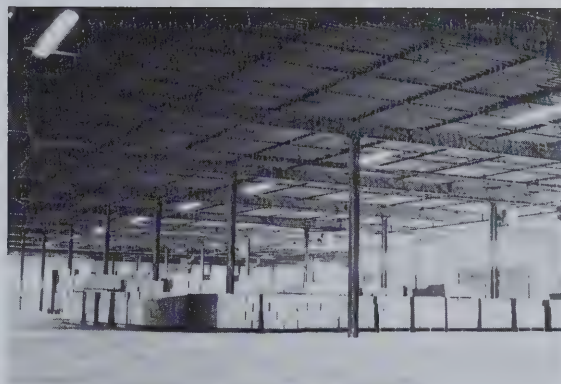
The 26,000 square feet of land, on which the newly-acquired building stands facing Church Street, is located in a prime development area only two blocks from Toronto's main midtown intersection, Yonge and Bloor. The addition of this valuable property to Canadian Tire's city-central holdings reflects our present growth and provision for the future potential of the Company.

A total of 20 new Canadian Tire Stores opened their doors to the buying public between January 1 and December 31, 1970—increasing our overall number of locations by nine (to 254). Eleven of the new locations replaced outgrown or outdated facilities in the same general market area, and included three 'C' type or larger store and service centre facilities (see photos on inside back cover) designated for major market areas in our building programme.

Seven new locations—three in Ontario, two in Manitoba, one in Quebec and one in Nova Scotia—occupy premises vacated by retailers in other fields (see photo at right and on page 9). The existing buildings were converted to Canadian Tire specifications with comparatively modest expenditures for alterations and signage.

During 1970, major additions were completed on nine stores and 18 were extensively renovated to improve their effectiveness as Canadian Tire retail outlets. A recent development in corporate strategy and philosophy has been the decision to strengthen our established reputation in smaller and medium-sized markets. Consumer loyalty to Canadian Tire in these markets presents your Company with exciting opportunities for an increasingly greater market share.

Pursuing this strategy, our Associate Dealers have moved into larger, privately-owned premises in Huntsville, Gravenhurst, Carleton Place and Arnprior, to name a few. In addition, Canadian Tire has opened new outlets in Goderich, Orangeville, Perth, Orillia, Strathroy and Ingersoll, Ontario. Immediate benefits have been achieved as a direct result of this programme. Sales and market penetration have shown dramatic increases and we have become the largest volume non-food retailer in most of these markets. Capital expenditure programmes to support our strategy are producing above-average returns for both our Associate Dealers and the Company as we build upon established consumer preference for our products and services.



A section of the 140,000 square foot floor area in the leased Shaft Road secondary distribution centre (shown at left). Building's main function will be to warehouse promotional and bulk-type merchandise.



Two-storey building, adjacent to the Home Office and Yonge Street Store at Yonge and Church streets in Toronto, was purchased by the Company in 1970 (see text).



Lachute (Quebec) store moved into premises formerly occupied by an automobile dealer. Relatively minor renovations were required for conversion to a Canadian Tire outlet.

CANADIAN TIRE ACCEPTANCE LIMITED

Statement of Income and Retained Earnings

for the Year ended December 31, 1970 (with 1969 figures for comparison)

	1970	1969
GROSS OPERATING REVENUE (Note 3)	\$1,875,037	\$1,375,865
Operating expenses:		
Provision for credit losses	332,994	196,230
Other	839,495	754,026
Total operating expenses	1,172,489	950,256
Operating income before interest and income taxes	702,548	425,609
Interest on borrowed funds	282,389	192,084
Income before income taxes	420,159	233,525
Provision for income taxes	224,407	124,726
NET INCOME FOR THE YEAR	195,752	108,799
Retained earnings at beginning of the year	95,150	36,635
	290,902	145,434
Goodwill and organization expense written off	—	50,284
RETAINED EARNINGS AT END OF THE YEAR	\$ 290,902	\$ 95,150

Statement of Source and Application of Funds

for the Year ended December 31, 1970 (with 1969 figures for comparison)

	1970	1969
FUNDS PROVIDED:		
Net income for the year	\$ 195,752	\$ 108,799
Depreciation and amortization	20,160	10,398
Total funds provided	215,912	119,197
FUNDS APPLIED:		
Additions to:		
Office furniture and equipment	23,993	4,363
Leasehold improvements	32,908	11,277
Total funds applied	56,901	15,640
INCREASE IN WORKING CAPITAL FOR THE YEAR	159,011	103,557
Working capital at beginning of the year	1,353,563	1,250,006
WORKING CAPITAL AT END OF THE YEAR	\$1,512,574	\$1,353,563

The accompanying notes, on page 16, are an integral part of these financial statements

CANADIAN TIRE ACCEPTANCE LIMITED

Incorporated under the Laws of the Province of Ontario

Balance Sheet as at December 31, 1970 (with 1969 figures for comparison)

ASSETS	1970	1969
CURRENT ASSETS:		
Cash	\$ 100	\$ 100
Accounts receivable	3,022	37,867
Contracts receivable (less allowance for credit losses, 1970 — \$229,197; 1969 — \$174,823)	6,545,682	5,097,840
Prepaid expenses	14,275	4,279
TOTAL CURRENT ASSETS	6,563,079	5,140,086
FIXED ASSETS — at cost:		
Office furniture and equipment	83,692	59,699
Leasehold improvements	44,185	11,277
	127,877	70,976
Less accumulated depreciation and amortization (Note 1)	49,549	29,389
NET FIXED ASSETS	78,328	41,587
TOTAL	\$6,641,407	\$5,181,673
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank loan — secured by receivables	\$ 105,000	\$ 263,000
Accounts payable	627,528	808,315
Income taxes payable	104,447	96,241
Demand notes (Note 2)	4,200,000	2,600,000
Due to parent company	13,530	18,967
TOTAL CURRENT LIABILITIES	5,050,505	3,786,523
SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized:		
200,000 5% non-cumulative, redeemable (at amount paid thereon), preference shares of a par value of \$10 each		
200,000 common shares of no par value		
Issued and fully paid:		
120,000 preference shares	1,200,000	1,200,000
100,000 common shares	100,000	100,000
	1,300,000	1,300,000
Retained earnings	290,902	95,150
TOTAL SHAREHOLDERS' EQUITY	1,590,902	1,395,150
TOTAL	\$6,641,407	\$5,181,673

Approved by the Board: B. R. Wilson, Director; J. D. Muncaster, Director

The accompanying notes, on page 16, are an integral part of these financial statements.

notes to the financial statements

1 Depreciation and Amortization Policy

It is the company's practice to provide for depreciation of office furniture and equipment under the declining-balance method at an annual rate of 20%, and to amortize the leasehold improvements on a straight-line basis over a period of five years. The total amount so provided for the current year was \$20,160 (1969—\$10,398).

2 Demand Notes

The demand notes of the company are unconditionally guaranteed by its parent company, Canadian Tire Corporation, Limited. The parent company has available bank standby credit to cover any obligation which may arise under its guarantee of authorized notes outstanding from time to time.

3 Revenue

Discounts on contracts purchased from dealers are taken into revenue at the time the contracts are purchased. Customer accounts are maintained on a cycle-billing basis, and service charges are accrued each month on balances outstanding at the close of each cycle.

4 Remuneration (Directors and Senior Officers)

The total remuneration of directors and senior officers, as defined in The Business Corporations Act, 1970 (Ontario), was \$85,253 in 1970 (1969—\$67,197).

DELOITTE HASKINS & SELLS

Offices across Canada and associated firms throughout the world Chartered Accountants

ROYAL TRUST TOWER • P.O. BOX 283, TORONTO-DOMINION CENTRE, TORONTO 111, ONTARIO

To the Shareholders of
Canadian Tire Acceptance Limited:

We have examined the balance sheet of Canadian Tire Acceptance Limited as at December 31, 1970 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte, Haskins & Sells

March 8, 1971.

Auditors.

CANADIAN TIRE ACCEPTANCE LIMITED

BOARD OF DIRECTORS

A. E. BARRON
R. J. HOBBS
R. LAW
J. D. MUNCASTER
B. R. WILSON

OFFICERS

B. R. WILSON, President
J. D. MUNCASTER, Vice President
R. J. HOBBS, Vice President
R. LAW, Secretary
F. Y. SASAKI, Treasurer



Largest store opened in 1970 was *Rexdale (Toronto)* with 54,000 sq. ft. store area.

new
horizons
for the
canadian
shopper...



24 of 44 gas bars remain open on a 24-hour basis the year 'round.

Pre-opening view of the new *Agincourt* store at Sheppard & McCowan, Toronto.



products to "move people"



and the people to move products

